

Workforce Development Strategies:
South Africa Field Report

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EXECUTIVE SUMMARY

Workforce development describes an interdependent system of linked conditions, policies, strategies, and actions that create an enabling environment. In this environment, demand-responsive institutions and processes enhance the level of skills and competencies in the workforce, and thus benefit the development of the economy. In order to obtain positive workforce development, appropriate stakeholders must have open and accessible linkages to other stakeholders. The United States Agency for International Development (USAID) is attempting to create a methodology that assists in creating these linkages.

In September 1998, the USAID Global Workforce in Transition Coalition Team (Coalition Team) asked PricewaterhouseCoopers (PwC) to develop a methodology for workforce development. This report represents the second deliverable under this PEDS III Workforce Development Strategies Scope of Work.

This report is divided into the following three distinct sections:

- ***The Workforce Development Methodology:*** Section 1 outlines the processes the PwC Team undertook to create the conceptual framework for the workforce development methodology. It then reviews the five major elements of the methodology. A more detailed description of the methodology can be found in the presentation given to the USAID Coalition Team on November 3, 1998.
- ***The South African Pilot:*** Section 2 represents a narrative of the work the PwC Team undertook to tailor the methodology to the South African environment. This section documents the goals that were established prior to the trip, the environment the Team found when it arrived in South Africa, and the resulting changes that the Team made to the scope of work to add value in this South African environment. Much of this section has previously been communicated to the USAID Coalition Team. PwC feels the documentation of the process events is an important part of the methodology. Such careful documentation of the process will be useful in applying the methodology to other pilots.
- ***Industry Competitive Analysis:*** we present in Section 3 a framework for understanding the competitive dynamics of the industry. As documented in the Element 1 and 2 of the methodology, before the PwC Team can assist in developing a process to create a stakeholder action plan, we need to understand the dynamics of the sector. This section provides an analytical framework which can be variously applied to specific sectors in order to inform the workforce strategy development and design.
- ***The Tourism Industry:*** During the first field trip to South Africa, the PwC Team conducted in-depth desk research and interviewed numerous tourism industry stakeholders. Some initial results of this research are presented in this section. This section begins the process of incorporating tourism-specific data into the analytical framework. It also includes a draft linkage map that attempts to document pictorially the formal and informal institutional linkages between tourism industry stakeholders. This map is a work in progress and will continue to be developed throughout the remainder of the South African pilot. It is included in this deliverable to provide context to the analysis.

- **Appendices:** the appendices provide the schedule of interviews and visits during the first trip, a brief description of the major institutional stakeholders in the tourism industry, and a bibliography of the most relevant materials the PwC gathered during its visit.

1. THE WORKFORCE DEVELOPMENT METHODOLOGY

In September 1998, the United States Agency for International Development (USAID) Global Workforce in Transition Coalition Team (Coalition Team) asked PricewaterhouseCoopers (PwC) to develop a methodology for designing and evaluating workforce development strategies (WDS). The scope of this work includes:

- Development of a participative diagnostic procedure that maps existing policies and practices affecting workforce development;
- Assessment of the institutional workforce development structures and demand and supply characteristics in a sector, region, or country; and
- Development of a participative process and delivering an action plan for designing workforce transition and development strategies supportive of USAID strategic objectives.

USAID and PwC both agreed that the WDS methodology must have at least three important characteristics:

I. Stakeholder Participation: The process will involve the identification and participation of stakeholders – including private leaders, learners and employees – in identifying the existing conditions, constraints, and opportunities to effective workforce development and, most importantly, in identifying the potential solutions. It will require leadership from the private sector to endorse a broad strategy and action plan that builds new partnerships and coalitions between public and private institutions. The ultimate goal is for local stakeholders to assume responsibility for making the necessary changes to strengthen workforce development and to begin to engage in a process to make these changes.

II. Adaptability and Flexibility: The process should be sufficiently flexible so that it can be adapted to describe and provide insight into the workforce issues in any given industry or priority economic sector. The intent is not to create a process that works in a narrow band of sectors, but rather, one that could be readily adapted to meet the wide range of arenas in which USAID operates.

III. Multi-dimensional: The process should reflect the multidimensional facets of workforce development and incorporate the economic, educational, business, industry, labor and entrepreneurial components.

1.1 Creating the Methodology

Throughout the month of October 1998, the PwC Team utilized a two-prong approach to develop the original conceptual framework for the methodology. The first prong was to research similar methodologies created by USAID, other U.S. Government Departments, higher-education institutions, and non-profits. The purpose of this task was to build on

methodologies and tools already in existence, and to understand the best practices of these methodologies and processes. The results of this task can be found in *Deliverable I – Existing Assessment Tools* (October 29, 1998).

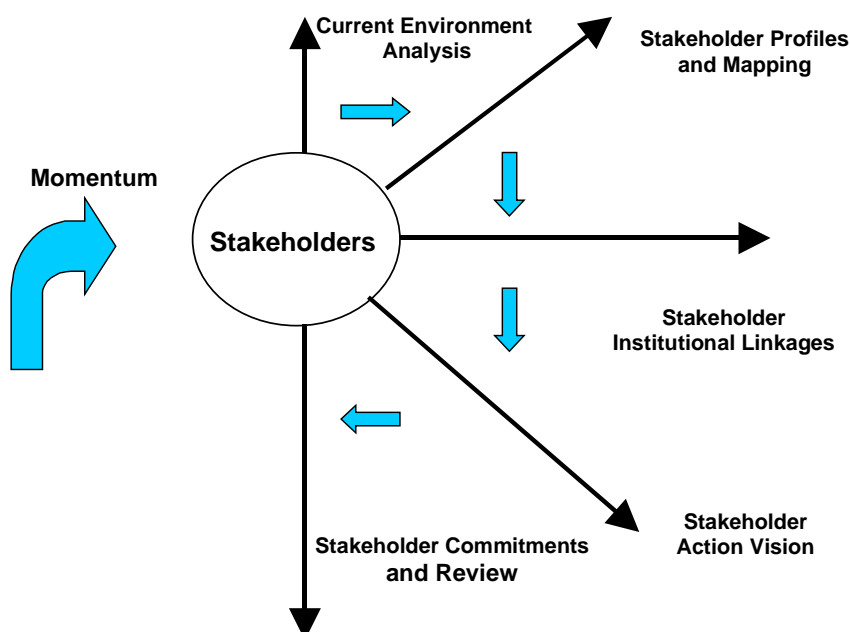
Armed with this research knowledge, the second prong of the PwC development approach was to hold a series of internal strategic sessions. At the first session, the Team attempted to answer the following questions:

- What are the common causal variables that together create the current country environment? Causal variables may include many areas of study including 1) the labor market; 2) the industry; 3) the training market, and 4) the political and policy environment.
- What are the intervening variables that represent the factors that can be altered in order to achieve the desired workforce outcome of the country or particular industry? These might include: 1) linkages and partnerships between the stakeholders; 2) education system; 3) vocational system; and 4) market drivers that change the demand or supply of the industry.
- What are the outcomes that the methodology is trying to achieve?

The second strategy session took the answers to these questions and inserted them into a step by step process with individual modules that the PwC Team could implement. The next section of this document describes the conceptual framework that arose from these strategy sessions.

1.2 The Conceptual Framework

The purpose of the workforce development process is to build self-sustaining and productive partnerships and linkages between key stakeholders. As a result, the conceptual framework is built on the core assumption that the center of any process must be the relevant stakeholders, as they will ultimately create the momentum for change. With this in mind, the “pinwheel” framework was developed to describe the flow of events in this process.



The methodology includes five elements, all centered on the participation of the stakeholders. The following are the five elements of the conceptual framework:

Element 1 - Current Environment Analysis:

- Purpose: To understand the macro-environment of the country or specific industries.
- Action 1: Conduct primary and secondary research
- Action 2: Identify stakeholders
- Outcome 1: Industry research and growth patterns
- Outcome 2: List of potential stakeholders

Element 2 - Stakeholder Profiles and Mapping:

- Purpose: To identify and understand issues at the micro-level.
- Action 1: Conduct individual interviews
- Action 2: Conduct focus groups
- Outcome 1: Linkage map
- Outcome 2: Potential workshop themes

Element 3 - Stakeholder Institutional Linkages:

- Purpose: To foster an institutional setting for dialogue on workforce issues among key stakeholders.
- Action 1: Hold workshops, contact groups, focus groups around one or two key issues that appear resolvable
- Outcome 1: Institutional working groups that can continue in the future

Element 4 - Stakeholder Action Vision:

- Purpose: To design broad work plans that include discrete tasks for each stakeholder to implement.

- Action 1: In a participatory workshop setting, develop a process to implement actions
- Outcome 1: Individual stakeholder work plans
- Outcome 2: A menu of actions for funding entities

Element 5 - Stakeholder Commitments and Review:

- Purpose: To establish concrete stakeholder commitments and commit to a timeline.
- Action: By Element 5, actions are now taken by the country, not the consulting team
- Outcome 1: Understanding of each stakeholder commitment
- Outcome 2: Review of progress to date
- Outcome 3: Begin Element 1 again in the changed environment.

The PwC Team designed this original broad conceptual framework to be flexible enough to adapt to the needs of diverse country environments. In addition, the process should be iterative, allowing governments and other stakeholder to apply it continually under diverse economic conditions.

This workforce development strategy methodology was presented to the USAID Coalition Team in late October. After discussion, input, and revisions, PwC and all parties approved moving forward with the first pilot. All parties agreed that in order for the larger methodology to be successfully implemented in the South African environment and be dynamic enough to create long-lasting momentum, the PwC Team needed to add an element of local knowledge. As a result, money was budgeted for the addition of South African consultants to work on the pilot.

2. THE SOUTH AFRICAN PILOT

Early in September 1998, the USAID Coalition Team held consultations with the USAID Mission in South Africa regarding the potential to pilot this workforce development strategy in that country. USAID Mission Officers met with representatives from the South African Department of Labor Directorate of Human Resources and Employment Services to discuss the possibility of working with this division to pilot the methodology. Both the USAID Mission and the S.A. Department of Labor (DOL) gave their approval for the pilot, and the Deputy Director of Human Resources and Employment Services, specifically Mr. Lindsay Falkov, was designated as the PwC Team's host throughout the pilot.

In October, the PwC Team was fortunate to have Walter Ramatsui from the South African Department of Labor Directorate of Human Resources and Employment Services spend two weeks in the PwC office working on this project. He worked primarily on preparing a briefing document that highlighted the history of the country, recent political changes, and demographics, and explained the new structuring of the education system. Working with Mr. Ramatsui early in the project proved very helpful in preparing for the first trip and provided a contact in the S.A. DOL that could act as a liaison.

2.1 Due Diligence Prior to Trip

During the development of the methodology, USAID and PwC decided that instead of testing the WDS methodology across the entire South African economy, the pilot would narrow and concentrate on one or two industries of the economy. Prior to the first trip to South Africa, S.A. DOL selected two potential industries to test the methodology: 1) tourism and, 2) metal and engineering.

With the industries selected, the PwC Team conducted research and created a preliminary list of stakeholders in both industries that the Team wished to interview while in South Africa. Kick-off meetings were scheduled with the USAID Mission and with the appropriate individuals at the S.A. DOL. In addition, Mr. Ramatsui began scheduling interviews with preliminary stakeholders.

2.2 Goals and Expectations for First Trip

Prior to departing for South Africa, the PwC Team established a list of objectives for the first trip. USAID and PwC understood before the pilot began that South Africa would be a rich, but complex environment in which to first test the methodology. The complexities came from the sheer size and diversity of the economy and the difficult social path the country had taken over the past decades. As a result, the PwC Team understood that they would not be able to test completely each element of the WDS methodology, but that South African experiences would be useful in validating and enriching the new methodology. As a result, the PwC objectives for the first trip corresponded with testing parts of Elements 1 through 3 of the Methodology, with anticipation of testing parts of Elements 4 and 5 during the second trip to South Africa. The PwC Team established the following objectives for the first South African trip:

- Clarify the specific industries to apply the methodology (Element 1);
- Identify an appropriate list of stakeholders in those industries (Element 1);
- Identify one or two critical issues around which the stakeholders could find quick consensus (Element 2), and which could therefore be used to test the methodology in South Africa (e.g. develop stakeholder maps, provide centerpiece for action vision formulation process, etc.) ;
- Interview stakeholders (Element 3);
- Facilitate focus groups on the critical issues (Element 3);
- Write a scope of work for the remainder of the South Africa pilot; and
- Hire South African consultants (To proceed and deepen Element 1-3; enable Elements 4 and 5 during second trip.)

2.3 The South African Context – What We Found

The PwC Team presented the conceptual framework of the WDS Methodology to representatives from the USAID South African Mission on November 9, 1998. The Mission approved presenting the methodology to the South African Department of Labor.

On December 10, 1998 the Team presented the methodology to representatives from the S.A. Department of Labor's Directorate of Human Resources and Employment Services. The goal of this meeting was to attempt to identify several crucial workforce issues on which the PwC Team could focus the pilot. Mr. Lindsay Falkov requested a second meeting to narrow the focus.

The PwC Team and the S.A. DOL delegates met again on November 11, 1998. At this meeting, Mr. Falkov conceptually embraced the larger methodology, but suggested that South Africa was past the development of a participatory process and instead was at the point of needing strategies for implementing the immense and mandatory education and workforce policies that had already been developed. This policy environment is described below. As will be seen, the challenge to the PwC Team became one of finding a course of action that would meet S.A. DOL and the USAID S.A. Mission's country objectives, while also meeting USAID Coalition Team's objectives to broaden and test the larger methodology.

2.3.1 The Policy Environment

Throughout the past four years, South Africa had concentrated its efforts with regard to workforce development on two fronts: 1) Education Reform, and 2) Skills Development. Both efforts followed the process of conducting in-depth research, floating informal "white-papers", publishing formal "green papers" and then submitting legislation for debate. At the time of the first South Africa trip, both efforts had passed and were formal policies ready for implementation.

2.3.1.1 Education Reform – National Qualifications Framework (NQF)

Under President Mandela's National Government, the S.A. Department of Education has concentrated its efforts on replacing the old schooling system in place during the apartheid era with a new system that aims at promoting equity, quality, access to opportunities and redressing past inequalities. The NQF promotes the idea of giving credit to those individuals that have experience, but no degree. As part of this framework, the system provides opportunities for learning regardless of age, circumstances and the level of education and training a person has achieved. The NQF strives to be a demand-driven education system. The policy of the NQF is outcomes based, with the following two sets of outcomes established:

- **General Outcomes:** (Also often referred to as Critical Crossfield Outcomes or Foundation Skills) These are outcomes that apply across various industries and career fields. These include skills such as critical thinking, communication, organizing, decision making.
- **Specific Outcomes:** These are the outcomes that strictly apply to specific fields of learning such as skills relevant to the engineering, medicine, mining, etc.

With these outcomes in mind, the education system is divided into three bands:

- I. General Education and Training Band:** Preschool to 9th Grade (Free, Compulsory)
Examples of Recognized Providers: Formal schools, approved NGOs, approved Churches, Adult Basic Education and Training (ABET), approved workplace training programs.
- II. Further Education and Training Band:** 10th – 12th Grades (Free, Compulsory)
Examples of Recognized Providers: Formal high schools, technical schools, community colleges, police and nursing colleges, industry training boards, workplace training.
- III. Higher Education and Training Band:** Education at this band is not free or compulsory. At this stage the learners are divided into four levels based on what career paths they choose to pursue. The following are the four levels:
 - a. Diplomas and Occupational Certificates
 - b. First Degrees and Higher Diplomas
 - c. Higher Degree & Professional Qualifications
 - d. Doctorates and Further Research Degrees

The National Qualification Framework is managed on two fronts, through the Department of Education and through the newly established National Qualifications Authority. However, once the learner is out of formal schooling, much of the policy burden for ensuring continuing education and training falls to the Department of Labor. In this capacity, they too have enacted their own policies.

2.3.1.2 The Skills Development Act

In South Africa, workforce issues have been the focus of a great deal of attention in the wake of the passage of the Skills Development Act (SDA). The major objective of the SDA is to provide a national framework to devise and implement national, sector and workplace strategies to improve skills. Specifically, the SDA will attempt to undertake the following activities:

I. Integrate strategies into the National Qualifications Framework (NQF):

In addition to the formal education process set up by the NQF, it also establishes the need for denominated skill sets in each industry. Individuals can then be assessed against these set criteria. For example, if a person was a cook, he or she could demonstrate the skills necessary to be rated as a Cook Level 1 through Cook Level III. The goal behind this policy is two-fold. First, it provides an opportunity for individuals to gain credit, or qualifications, for the skills they acquired, regardless of whether they learned them in a formal education setting. Second, the assessment of skills will ideally allow individuals the ability to change careers and be able to explicitly state their skill sets to potential employers. It creates a common language to discuss skills needs.

II. Provide for “learnerships” that will lead to occupational qualifications:

Part of the SDA is to create a new type of “hands on” learning for the country. During the early 1990’s, some Technikons and Technical Colleges offered apprenticeships. However, when students left formal classes for the fieldwork, few returned to finish the formal schooling. The concept of learnerships attempts to mitigate this retention risk. Each student is chosen through a complex application process. The learner spends three months in the classroom, then three months in the field. At this time the learner is assessed as a NQ Level 1. The learner repeats this six-month process and leaves the learnership as hopefully demonstrating the skills of a NQ Level II. The incentive to finish the learnership is to receive the higher NQ rating and thus hopefully receive a higher paying job. Learnerships are presently being developed in numerous occupational careers.

III. Creation of the National Skills Authority:

The SDA also will create the National Skills Authority (NSA). One of the purposes of the NSA is to advise the Minister of Labor on skill development policy, review skill development strategy, and determine spending priorities of the National Skills Fund (discussed below). The SDA also promotes the creation of Sector Education and Training Authorities (SETAs) for each of the major industries in South Africa. The SETAs are to serve as intermediaries between government and industry players (unions, industry, and relevant training providers), particularly in the area of workforce capacitation. SETAs, for their part, will:

- Assist in defining the National Qualifications for the industry;
- Establish learnerships;
- Implement sector skills plans;
- Approve individual workplace skills development plans;
- Collect employer levies;
- Make funding allocation decisions for skills development in the sector; and

- Monitor overall implementation of the SDA in the industry.

Prior to the SDA, industries were already divided into Industry Training Boards (ITBs). These boards were responsible for providing some training to members and beginning to establish appropriate qualifications for their industry's National Qualifications. But the ITBs never commanded the resources now available to the SETAs, thus the creation of these new bodies is very political. There are numerous ITBs, but it is the anticipation of the DOL and the NSA that there should be fewer industry SETAs. As a result, many ITBs will soon be expected to fold into one SETA.

The turf war now pertains to what ITB will form the leadership for each SETA. Though most industries are still in turmoil on this issue, two ITBs stand out as leaders in the field. The Hospitality Industry Training Board (HITB) is well known as the most advanced SETA, followed by the Metal and Engineering Industry Training Board (MEITB). Both the HITB and MEITB appear to be poised to take on leadership positions within their industry SETAs.

No SETAs have been created as of the date of the PwC Team's first trip to South Africa.

IV. *Finance skill development, through the National Skills Fund:*

In order to finance all of the desired skill development policies being passed, the SDA established a National Skills Fund. According to the SDA, each SETA would levy a one-percent tax on each member's gross wage amount. The SETA would use 80% of each member's levy to provide skills training to the member. The remaining funding would be divided, with some going to the National Skills Authority and some kept to fund SETA operations. The legislation, however, is not explicit about how the levy will be collected.

The Department of Labor's Directorate of Human Resources and Employment Services, specifically the Chief Directorate, Adrienne Bird, was the chief author of the Green Paper - *Skills Development Strategy for Economic and Employment Growth in South Africa* that formulated the idea for the SDA. Now this Directorate is responsible for making operational all the elements of the SDA. During the PwC Team's first field trip, the SDA was still in a policy stage and had not yet begun to be implemented.

2.4 Defining the Scope of Work

In the context of the NQF and SDA, Mr. Lindsay Falkov requested that the PwC Team tailor its analysis to conduct a "skills needs assessment" to help in the development of the SETAs. At first, Mr. Falkov suggested that this might include building an economic forecasting model that anticipated the required skill sets an industry would need as it grows or declines. The PwC Team expressed that undertaking a "skills need assessment" was possible, but that the present team did not hold the correct skills nor had the time to create a financial model that was dynamic enough to achieve the desired goal.

However, in addition to conducting a “skills needs assessment”, the PwC Team suggested that if the SETAs were to implement and fulfill their set objectives, they needed a strategic process to collect relevant data and a strategic planning process to evaluate that data.

As a result of this conversation, the S.A. Department of Labor, the USAID Mission, USAID Coalition Team, and the PwC Team agreed that the South African pilot scope of work should focus on two elements:

- Designing a skills needs assessment methodology;
- Establishing a framework that uses this needs assessment and helps define a diagnostics methodology appropriate for the needs of the SETAs in their annual planning exercises.

The scope of work was to include the following five elements:

1. Identify a sector or sub-sector to include in the analysis;
2. Conduct primary and secondary research in that sector;
3. Design a survey instrument that would inform the Skills Needs Assessment;
4. Discuss the survey results in contact groups and a strategic retreat; and
5. Outline lessons learned from the process in order to apply to other industries.

2.4.1 Identifying the Sector: Tourism

After agreeing on the overall broad scope of work, S.A. DOL, the PwC Team, and USAID chose to focus the South African scope of work on one industry rather than two. This decision would enable the PwC Team to conduct a more focused evaluation and design a specific skills needs assessment methodology that can later be adapted and generalized for SETAs in other sectors.

Tourism was decided on for the following reasons:

- The Hospitality Industry Training Board (HITB), headed by Mr. Tony Ansara, is recognized as the natural representative to lead the Tourism SETA. In other industries this tacit decision of which ITB would lead an industry SETA was not as clear.
- The potential growth and development of the tourism industry had recently gained national press at the Presidential Jobs Summit that promoted the industry as a place where employment would grow considerably in the near future.
- An abundance of research conducted by numerous governments, non-profits, and consulting entities is available on the topic. Specifically these include three important documents:
 - a. The White Paper on *Development and Promotion of Tourism in South Africa* (published in June 1996 by the Department of Environmental Affairs and Tourism—DEAT);
 - b. the resulting *Tourism in Gear* document that outlines the industry’s strategy through 2000;

- c. the World Travel and Tourism Council publication *South Africa's Travel and Tourism—Economic Driver for the 21st Century*
- The industry has already established formal and informal linkages between stakeholders at all levels, but there remain critical gaps that need attention.

2.4.2 Primary and Secondary Research

For the remainder of the first South Africa trip, the PwC Team refocused its goals to align more with the new modified scope of work. Rather than anticipate being able to host focus groups during this trip, the Team focused on conducting interviews with stakeholders. The stakeholders fell primarily into two groups: 1) general “skills development” stakeholders, and 2) tourism industry stakeholders. Please see *Appendix A* for a list of PwC Team’s interview and meeting schedule during the first trip.

The purpose of these interviews was to gain a greater understanding of the formal and informal linkages between the stakeholders. The PwC Team sought to gauge the type of data sets a skills needs assessment would contain, and to evaluate how SETAs could best collect and utilize the data in their annual strategic planning processes.

The PwC Team primarily found three different categories of research documents on the tourism industry. The first category of documents provided detailed information on the current environment of the industry. The second type of document outlined goals and objectives for developing the tourism industry. Finally, several documents analyzed the potential future of the tourism industry.

Several key interviews led the PwC Team to realize that a skills needs assessment methodology had already been developed and piloted in the tourism industry. In 1998, the Department of Environmental Affairs and Tourism (DEAT) hired the Business Marketing Intelligence (BMI) Consulting Group to conduct a survey on skills needs in the industry. The study attempts to ascertain what skills the employees in the industry presently hold and what skills the employers anticipate the employees will need in the future. The present BMI methodology utilizes a survey to collect this information.

Strengths

The BMI methodology and survey have numerous strengths. First, many of the definitions of occupational categories and skill sets used in the survey directly correspond to the language that the HITB and the NQF are using to create the tourism industry’s National Qualifications. As a result, the methodology and the survey instrument use the same language. Second, it is comprehensive, covering all aspects of the tourism industry, from hospitality to tour guides. Finally, the survey responses provide rough answers to the basic question posed by the SA DOL: how many employees in the industry have or potentially need a certain skill?

Weaknesses

Despite these strengths, the current BMI survey methodology is extraordinarily complex and requires a significant amount of time and funding in order to replicate it. As a result, it is unlikely that SETAs or government would be able to replicate this process on an annual basis to accumulate data to inform their annual strategic planning process. In addition, numerous assumptions used in the present methodology, such as the annual retention level in the tourism industry, are based on estimates that cannot be validated because industry employers do not keep this type of data. These assumptions dilute the validity of the results.

Potential Modifications

The PwC Team realizes that any SETA strategic planning process needs to be based on current data that can be collected on an annual basis. This annual survey should be a snapshot of the skills in the industry, the skills the industry anticipates needing, and the major concerns presently in the industry. As a result, the PwC Team is considering the following three-prong approach for SETA data collection.

Prong 1: When created, each new SETA should conduct an in-depth survey to assess the skills needs of the industry.

Prong 2: Annually, each SETA should conduct a simplified survey that focuses on critical issues during that year and update the skills needs assessment.

Prong 3: Every 3 to 5 years the SETA should repeat the in-depth survey of the industry.

After finishing the research phase of the scope of work during the first trip, the PwC Team agreed to design and pilot a simplified survey in the tourism industry. The main purpose of this pilot simplified survey is to serve as an instrument to measure workforce development needs within industry sectors and to assist SETAs in their annual strategic planning. The desire is to create a survey that can be modified and used by other industry SETAs to conduct the same strategic planning.

2.4.3 Design of a Survey Instrument

While in South Africa, the PwC Team interviewed and hired BMI to assist in designing and piloting the revised survey. As of this report, the survey is presently in draft form and the methodology for the pilot is being finalized. The issues the PwC Team is considering in drawing up the pilot survey include:

- Necessary information to be gathered;
- Method of collection;
- Size of sample (no. of interviews);
- Data analysis methods (what categories data would be broken down into);
- Compilation of a representative and comprehensive database of names;
- Distribution of findings within the industry; and

- Optimum replication of the survey for other sectors and countries.

Unfortunately, with the small number of interviews in the pilot survey, full coverage of all sub-sectors in the tourism industry is not possible. If the survey were repeated annually but with a greater number of respondents, wider coverage would be obtained.

The PwC Team will design the survey to be completed as quickly and painlessly as possible. This is important for several reasons. First, it is necessary to keep the research process brief and acceptable in terms of cost and time both to the SETA. Second, and perhaps most importantly, if the SETA is going to survey stakeholders each year, the survey must be brief in order to assure the respondents' continuous willingness to participate. To achieve these objectives, it is necessary to eliminate questions probing for reasons for responses. For example, it might be informative to discover why a respondent's training budget was to increase in the next financial year or why he does not train his staff but prefers to employ skilled staff instead. This approach again is best left to the larger in-depth research survey.

This more simplified survey will instead provide critical data on the skill gaps in the industry and provide the SETA with information on the expectations that stakeholders have for the SETA. The survey will be piloted in South Africa by BMI in February 1999.

2.4.4 Hold Contact Groups and Facilitate Strategic Retreats

Having relevant data is not sufficient if a SETA does not have an organized strategic planning process for utilizing the data. Part of the scope of work is to provide the SETA two methods in which to frame the data in their planning process: 1) contact groups, and 2) strategic retreats.

Contact Groups: PwC Team members will meet in small groups of individuals who completed the survey in order to probe further into the meaning of their answers and to gauge the validity and usefulness of the survey questions. Several of these contact groups will be held in early March 1999.

Strategic Retreat: The PwC Team will also facilitate a strategic retreat with stakeholders. The purpose of the retreat is to create an environment where the collected skills needs data can be discussed, the SETA can hear what stakeholders expect of it, and stakeholders can identify how they can fulfill the goals and expectations set out for them. The goal is to create an "action vision" that includes concrete steps that stakeholders can complete. This day-long retreat will take place in mid to late March.

2.4.5 Outline Lessons Learned

After the survey pilot and the strategic retreat are complete, the PwC Team will provide the USAID Coalition Team, the USAID Mission, and the Department of Labor with lessons

learned in applying this process to the tourism industry and recommend potential changes when applying the skills needs assessment to other industries.

The PwC Team will also provide the USAID Coalition Team with lessons learned and develop how the South African pilot fits into the larger methodology.

The remainder of this document is dedicated to presenting the analysis of the tourism industry that the PwC Team developed during its first trip to South Africa. The PwC Team collected information for the remainder of the document through interviews with stakeholders and desk research. All documents used to complete this analysis are cited in *Appendix B*.

3. INDUSTRY COMPETITIVE ANALYSIS

A critical element to understanding the development of an industry's workforce, and to designing effective and relevant workforce development strategies, is the industry's competitiveness. By understanding an industry's present competitiveness, stakeholders in that industry can set common goals that each stakeholder needs to accomplish in order for the sector to grow and be dynamic. As will be argued below, key among these goals is the need to develop appropriate training policies that help develop and sustain competitive advantage for the industry.

This section outlines the framework behind our approach to a competitive analysis. We have chosen to develop a specific competitiveness analysis because in the context of the larger workforce development methodology, a competitiveness assessment requires slightly different analytic elements to those present in general approaches. Since the competitiveness analysis is not the end product of this workforce methodology the framework that follows is intended simply to provide a snapshot of an industry in order to fuel the elements of the larger methodology.

In the case of the South African tourism sector, this analysis also fits into the desire of the Department of Labor to provide a tool to assist SETAs in their yearly strategic planning process.

3.1 Conceptual Framework

Contributions to the understanding of competitive advantage have been made by numerous economists, political scientists and sociologists. In many cases their contributions have been similar or complementary.

Economists have tended to emphasize the need for free markets, high levels of private sector involvement, and low levels of government regulation; though they do not necessarily discard public sector investment nor some level of governmental intervention. Political scientists have focused their analyses of competitive advantage on the role of the state, the level of government control, the need for democracy (or lack thereof), the relation between workers and employers, and industrial policy. Sociologists have focused primarily at the institutional level, both public and private, emphasizing that the creation of appropriate institutions—tangible and intangible—is critical to the development of an industrial system where competitive advantage can flourish. Depending on what aspect of competitiveness needs to be evaluated, each social science can, and has, contributed useful analytical tools.

Most integrated approaches to the study of competitiveness build on all three mutually-dependent levels: economic, political and social. The concept of industry and national competitive advantage has been extensively discussed, both in the practitioner's literature (Peter Drucker, Kenichi Ohmae, Michael Porter are probably the better known) as well as in academic journals (C.K. Prahalad, Birger Wernerfelt, Michael Piore, Charles Sabel, and

many others). While their methods and biases may differ, there is general agreement that competitiveness is dynamic, depends on innovation, is engrained in an institutional setting, and—in order to be sustainable—needs to be fostered by social actors and individuals, through investment in technology, infrastructure and human capital.

The following sections present a discussion on general approaches to identifying workforce development issues through a competitiveness analysis. It introduces a simplified model that builds on the existing approaches to competitive analysis, while adapting them to the specific issue of how competitiveness affects workforce development strategies.

3.1.1 Comparative vs. Competitive Advantage

What makes a country or an industry competitive cannot be separated from how it utilizes and grows its resources, including its workforce. *Competitiveness* is based on the existence of competitive advantages, or lack thereof. As opposed to *comparative advantages*, which are nationally-based, natural and static, *competitive advantages* are inherently sector-specific, human or societal, and dynamic. While comparative advantage is often inherited, can rarely be applied to other areas, and lost only over extended periods of time, competitive advantage is created within a sector, can be exported to or copied by another sector (or even country), and can be lost as quickly as it was gained. Thus, competitive advantage needs to be fostered and nurtured, either by a combination of technological advancement and continuous improvement in the human capital base, physical infrastructure, and so forth.

In an increasingly global world, where people's horizons go beyond the national or regional; where more and more countries compete to achieve high rates of sustained growth, comparative advantage is no longer enough anymore. The Ricardian model of advantage based on capital and raw labor is outdated; the equation needs to be complemented—as Becker pointed out a few decades ago—with the concept of *human capital*. Workforce development is one way to increase a country's stock of human capital.

In scientific sectors, such as electronics, pharmaceutical, or software, competitive advantage is often maintained by investments in research and development, to preserve the “edge” over possible competitors “catching up”. In addition to research, many of these investments are also directed to higher-education, to keep the flow of qualified individuals that will hopefully continue the innovation process and improve on the existing advantage.

For service sectors, such as tourism, commerce, banking or transport, competitive advantage is developed by the quality of service itself. Even though “service” could be codified to the level of a science, service is ultimately provided by humans. While investments in infrastructure (hotels, technology, roads, airports, etc.) are necessary, the education (or training) of the service providers becomes especially important. In a few countries, such as Singapore or Switzerland, “high-quality service” is engrained at all educational levels. These countries have built world-class service industries where there was little natural (or comparative) advantage.

‘Culture’ has been often advanced as a transient variable in this development; it may very well be an element of competitive advantage. However, the rapid emergence of some countries as service providers in particular industries—within the span of one generation—weakens the cultural explanation. Further, countries with similar cultures (e.g. Latin America, or some Asian countries) vary dramatically in their competitiveness across sectors.

For example, in the specific case of tourism, competitive advantage builds on existing natural advantages such as beaches, forests, mountains, game, etc. Even so, globalization has also reached the tourism industry. The relative “cheapening” of travel costs in relation to personal income in developed economies and the increased ease of travel has fueled the growth of mass tourism (both business and leisure) to an extent not seen before. Even when a country has some unique attraction (natural or otherwise) to offer, the palette available to individuals is varied enough that tourists can now afford to be “choosy”. Thus, sustained competitiveness in tourism still requires the additional value-added of high quality service. The dramatic decrease in tourism revenue in Kenya and the parallel increase in neighboring Tanzania is a good example of this concept of building competitiveness.

3.1.2 Approaches to Workforce Development

When one looks at the issue of how a competitive advantage will be gained, workforce development must be stressed. The option now is how the country or industry chooses to create those advantages. One can imagine a range of possible policies, going from extreme government intervention to total *laissez faire*. The four main approaches taken by governments at various times are:

1. **Paternalistic or statist:** The government develops its own policies and imposes them on workers and employers. Most aspects of worker training are government-supplied or mandated. There is high regulation of workers and employers and a large incentive to satisfy ‘requirements’ and achieve ‘certification’, not necessarily to address the needs of the workforce or market competitiveness. This could be termed a “supply-led” system. It works relatively well in environments of comparative advantage, with large, unskilled labor forces, unsophisticated employers, and/or where worker exploitation has been recent.
2. **Free Market:** At the other end of the ideological continuum, the government refrains from intervening in the labor markets. Human capital investment decisions are left to “the market”. Future workers get their training in private or public sector institutions, and employers hire them based on their needs. If workers need additional specialized training, employers arrange the training themselves. This demand-led approach, in a dynamic and competitive system, should ensure an adequate equilibrium between labor capacity and capital need; workers will train in those areas where employers need them.. This works well in large, competitive, industrialized economies with sophisticated employers, high labor-mobility and good access to educational/training opportunities. The United States and, to a lesser extent, Great Britain lie towards this side of the spectrum. For less

developed economies, however, the rigidities of the markets and inequality of opportunity make this option less interesting.

3. ***Societal-corporatist:*** In the middle of the continuum lie various approaches. In terms of labor development, the Germanic countries in Central Europe have one of the most highly regarded systems, fostering the cooperation and coordination of the state, the employers and the workers. This tripartite system encourages the coming together of all parties on equal terms, at a national, regional or sector level, to discuss labor issues, including those related to worker capacitation. From these interactions, and building on a historical heritage of craft-based guilds, these countries have developed a system of employer-state supported traineeships called *Lehren*. In these, employers take responsibility for certain aspects of a young worker's training, while the state continues to provide him/her with basic and generalized skills. Industry representatives from government, workers and employers evaluate the contents of *Lehren* on an on-going basis, adapting them as employer demands or worker needs evolve. This system exists, in various guises, in most of Central and Northern Europe. The level of state intervention or employer dominance may vary from country to country, though the basic concept of the three parties coming together to discuss workforce strategy remains unaltered. The system of learnerships proposed recently in South Africa reflects many elements of the Germanic system with a stronger degree of state intervention, a sort of 'government-mandated' corporatism.
4. ***Statist-Corporatist:*** Another middle of the road approach to creating and implementing workforce development policies and strategies emphasizes the corporatist aspect of involving labor, business and government in developing and implementing policy. In this case, strong state direction characterizes the process. Government draws on input from worker and employer groups, and then devises the appropriate industrial and workforce policies. This has been called the less-developed or less-democratic version of the Central European model; it was largely the model of the Asian Tigers and has been attempted in Africa and Latin America, with much less success. Its strengths lie in the fact that it can be implemented in societies at earlier stages of development, since institutional settings need not be highly-developed and decision-making can be swifter. At the same time, its weaknesses arise from decision-making being overly concentrated in few people and dissatisfaction from the various stakeholders involved.

3.2 A Tripartite Approach to Competitiveness

The competitive framework, in the context of the PwC Team WDS methodology, is a tool for understanding how a sector's competitiveness can affect and be affected by workforce development structures. To undertake this analysis, one needs to first understand how the following three spheres of influence affect competitiveness: 1) the social sphere, 2) the economic sphere; and 3) the political sphere. This tripartite approach looks at how each of these spheres affect workforce development strategy choices.

In a dynamic and synergic system the three elements should build on the strengths of each other so that "the total is greater than the sum of the parts." For example, many of the great development successes of the East Asian Tigers, such as Singapore, stemmed precisely

from the fact that all three elements—social, economic and political—built upon and reinforced each other. In these cases, competitiveness was achieved quickly in a “new” sector in which it had no obvious comparative advantage, such as financial services or electronics.

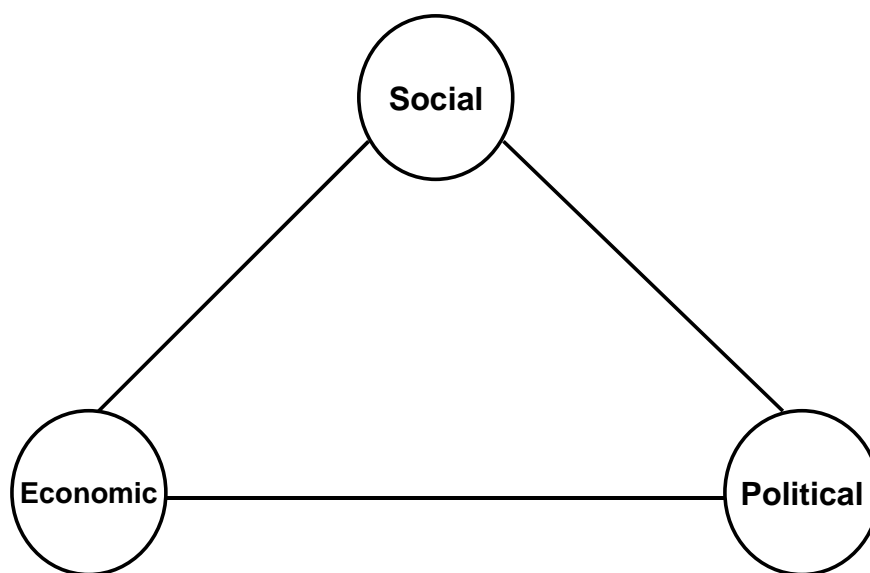
In a dysfunctional system, of course, the opposite is true. Each element weakens the next, making it impossible for even the most prescient and enlightened education and human development policies, industrialization strategies, or employment laws to thrive and succeed.

Of course, most cases are neither one extreme nor another. What happens most often is that there are certain key “breakdowns” in one aspect or another of these three elements. They are either weak in themselves or their linkages are deficient so that they cannot build upon the strengths of each other. The result is often not a spectacular failure of policies, but significant inefficiencies in the system, and “muddling through.” For example, some of these weaknesses could include:

- A cartelized or highly-protected industry has little incentive to modernize or innovate since its profits (cartel rents) are protected by the government. Specific cases abound, a notable one is the Brazilian computer hardware industry. Many would argue that the recent failures of the South Korean *chaebols* or the Japanese *keiretsus* can be traced to their cozy relationship with government, in spite of the fact that it was government protection and assistance that allowed them to grow in the first place.
- Governments with erratic policies, prone to favoritism or authoritarianism, or that are generally unstable do not inspire confidence. Investment will ebb, even in the most competitive and efficient of industries and firm strategy decisions will be delayed, while business leaders try to figure out which policy direction the government will take for the long-run. This has been the case in Latin America. (Though Italy has shown strong industrial growth despite frequent government change, many analysts argue that growth would have been higher and, in any case, the government *bureaucracy*, does not much change.)
- In societies with intense ethnical, cultural or other barriers, the institutional system is prone to become tribal, with institutions dominated by one or another group or unnecessarily duplicated. In such cases, institutions act as an anchor, rather than an engine to growth. This is an issue in much of Africa and, very notably, in Belgium or Canada.

Identifying Elements of Strength and Weakness

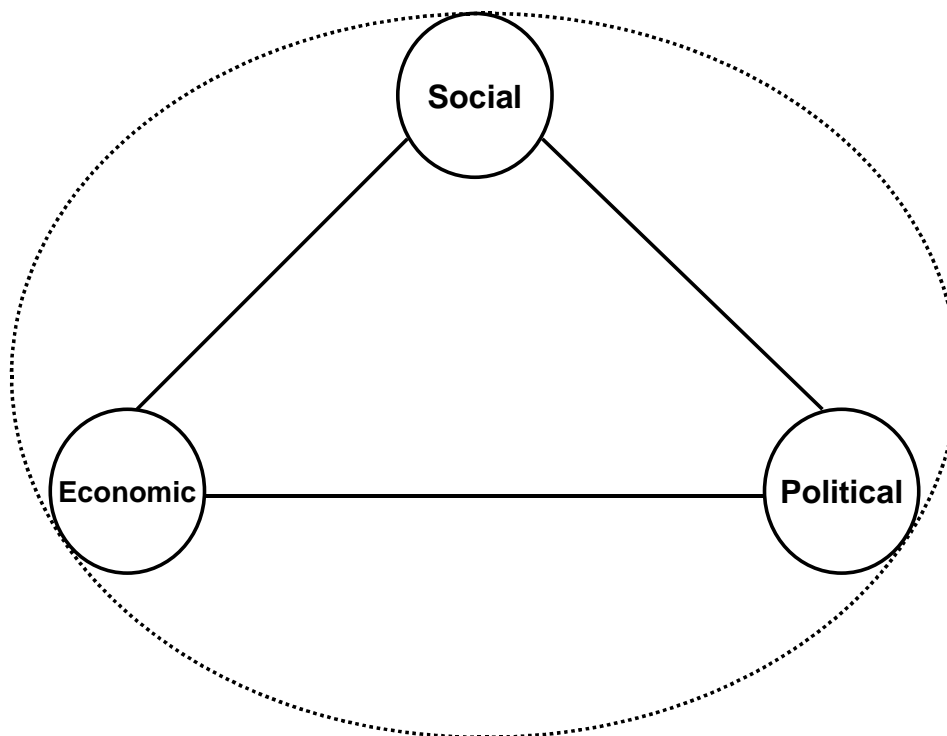
How do we begin to identify elements of synergism and dysfunctionality in the system? We need to identify the linkages between the players in each sphere and evaluate the nature of these linkages. For example, we can consider the three spheres of influence to have formal links to each other. These formal links are represented by the solid lines in the graph below.



Formal ties may be beneficial or detrimental, and can be a result of specific laws, government regulation, institutional constraints, etc. Some examples of formal links include:

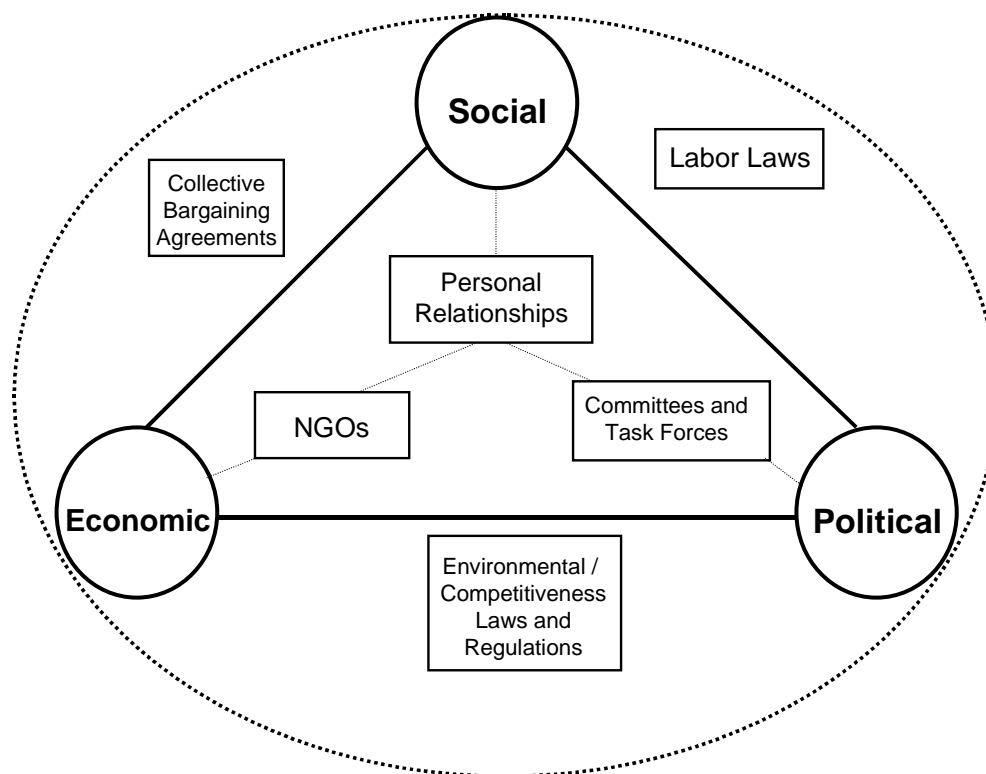
- Labor laws that force employers to provide certain benefits to employees are a link between the economic and the social, and between the political and the economic.
- Government-mandated expenditures on training by employers.
- Government regulation of union activities link the social and the political.
- Formal agreements between unions and employers—for example as a result of strikes—link the economic and the social.
- Government-mandated certification requirements links all three spheres since it constrains the availability of qualified workers for enterprises. Such requirements can be beneficial when they foster a high-quality workforce, or detrimental when they become bureaucratic or corrupted in order to protect privileged groups.
- The German system of mandated periodic discussions between various stakeholders and worker participation in corporate boards.
- Environmental laws imposed by the government on industry link the political with the economic, and indirectly affect the social.

Informal links exist as a result of personal or institutional relationships, accepted custom or institutional norms. Informality, in this case, gives the system the flexibility to react to changes in its environment and, thus, maintain its dynamism. (Informal links are dotted below.) Some examples of these links include:



- Personal relationships between stakeholders in any of the spheres are a powerful tool to improve communication, increase the speed of response to change, and maintain on-going dialogue. By the same token, individual animosities can be a powerful.
- NGO's providing training or other services to workers reduce the need for government or employers to invest resources in those activities.
- Joint participation of government, worker or employer representatives in committees or task forces foster the achievement of common goals.
- Cooperation between academic institutions and enterprises or worker involvement in designing training programs or in mentorship arrangements.
- Joint sponsorship of training institutions.

In the above model, formal links are rigid and limit the opportunity, while informal links are flexible and possibly expand—or could contract—the area of gain. In the limit, the metaphorical area of competitive advantage could be maximized to encompass a circle around the three spheres. The diagram can now be expanded further, incorporating the major types of formal and informal linkages at the industry level. (See below.)



This is obviously just a conceptual perspective of competitive advantage. However, as a tool within the larger workforce methodology, it emphasizes the importance of analyzing:

1. each individual sphere—political, economic and social—on its own, and its impact on the industries competitiveness;
2. the formal links that affect interactions between players in the industry and the implications these have on the overall competitiveness; and
3. most importantly, the informal links that bind stakeholders at various levels—the institutions, the personal relationships, the norms—and the synergy these create in terms of reduced transaction costs and more efficient use of available resources.

3.2.1 An Example: the Chilean Salmon Industry

A brief description of capacity development in the Chilean salmon industry is useful to explain how the analysis of the individual spheres and linkages fit together. It is probably better to describe the example of the Chilean salmon industry, an industry that went from not existing 15 years ago, to becoming the second largest in the world (after Norway) two years ago. A few elements:

- The southern part of Chile's long coastline has enormous natural advantages for salmon farming: cold waters and long fjord-like inland sea channels with abundant marine life. However, there was little knowledge in the country at the time about salmon production.
- The government sponsored extensive research and information exchange into salmon-farming techniques, provided incentives for entrepreneurs to invest in small-size operations, and—eventually—provided support to market the product abroad. On the political sphere, it was able to move quickly, due to a high level of decentralization in decision making and the ability of certain ministries to agree on various policies. The government also sponsored training programs for prospective industry employees.
- The participation of many small businesses soon created a highly competitive and dynamic market, where firms competed with each other to increase productivity, both technically and at a human level. (Training and keeping the best workers became a necessary element of success.)
- A few para-governmental organizations and NGOs such as PROCHILE and Fundación Chile helped at various stages of the value chain, with assistance in research, marketing, human capacity development, etc. Various community and worker associations were created in the fishery areas of Puerto Montt and Chaitén as a way to support workers in those remote locations. The groups provided support to each other and facilitated the assimilation of new workers and their families..
- Formal linkages were provided by various government policy documents on developing the salmon industry, in addition to the existing laws governing fishing and exploitation natural resources. Certain ministries were given direct charter to cooperate in order to assure the success of the project.
- Informal linkages abounded and were a large reason for the spectacular growth of the industry. Among the most important were the relationship between the salmon entrepreneurs, and both local and national governments. The cooperation between the NGOs and the entrepreneurs on capacity development, marketing and research support, and between the businesses themselves maximized the benefit from the resources the government was investing in the project. Eventually, the salmon industry bred a large group of support industries in the areas of packaging, freezing, transport, etc.
- For all of these activities new workers were trained and—in many cases—the early trainees became trainers themselves (or even entrepreneurs) to support the growth of the workforce.

3.3 Describing the Individual Spheres of Influence

The description of the economic, political, and social spheres—in the context of a specific industry or the country as a whole—can be accomplished in many ways.¹ Depending on the objective, the available data and access to analytical resources, describing the spheres

¹ This framework could eventually be developed into a larger methodology to analyze competitiveness. For the purposes of this project, however, it is only being used as a general tool to complement the more specific “pinwheel” workforce development methodology. Thus, the following sections only outline the basic elements of its usage.

can be done in great detail or quite superficially. Various bias can be also imposed on the analysis, such as for example:²

- a competitive market will foster investment and growth, and the latter will require increased and more specialized workforce training;
- democratic systems promote individual freedoms, driving innovation and improvement of working conditions;
- the involvement of non-profit institutions (such as NGOs) and aid agencies has beneficial effects in improving overall policy-making and implementation.

What is important in describing the spheres of influence, however, is to address and analyze the general issues of their impact on the industry. Brief discussions follow.

Economic

This sphere encompasses all of the macro- and microeconomic environment affecting the industry, as well as business-/firm-level aspects. One could do a general description or use any of the existing techniques to analyze competitiveness, such as Porter's Five Forces Analysis, Prahalad & Hamel's Core Competencies Analysis or even a simple SWOT analysis. The basic questions to be answered here include:

- How is the industry market working?
 - level of concentration among top players (e.g., large hotel chains, large transportation groups, etc.)
 - participation of small business (e.g., B&Bs, family-based transportation outfits, community-led tours, etc.)
- Is there extensive competition or is the market dominated by only few players?
 - supply-level (% of business generated by top players)
 - demand-level (% of business generated by top customers)
- What type of products (services) does the market offer?
 - "plain-vanilla" tours: basic beach or game parks, city tours
 - specialized packages: environmental, high-activity, etc.
 - specialized services: children, retirees, etc.
- On what segments of the markets are the industry players focusing on?
 - high-end vs. mid-level vs. low-end
 - backpackers, businesspersons, sophisticated adventure-seekers, etc.
- Who are the external competitors and what actions are they taking?

As mentioned in the previous section, for an industry with relatively *global open trade*, the national industry needs to be considered simply as one of many competitors in a larger global market, thus the concept of *national* competitive advantage as an extension of *firm*

² It is important to note, however, that bias are simply relative personal or institutional opinions, and not necessarily absolute statements on the efficacy or success of a given policy. In our current analysis, and given our primary task of evaluating *workforce development*, and not focus on competitive strategy, we are not adopting any one bias, but are simply using the tool to describe the state of competitiveness.

Further development of the theoretical and policy background of the "tripartite approach", and testing in various environments could eventually produce a "competitiveness" applicable to various contexts. At this point, this is not our objective.

competitive advantage. As has also been argued, tourism is certainly the case of an open trade industry since foreign tourists—at least—can choose to visit other countries instead.

Political

This sphere covers the *institutions of state* in a larger sense, and more specifically the *government* itself. It considers the government interventions, laws, regulations, certifications, etc. imposed on industry players, workers and other stakeholders; bureaucratic efficiency, and industrial policies.

The work of Robert Putnam, Samuel Huntington, and Joel Migdal³ comes to mind in this type of analysis, though political scientists have developed no standard, simplified analytical techniques and have performed their case studies on an individual basis. For the purposes of a competitiveness analysis, however, a SWOT analysis could still provide important perspectives. Some of the critical questions to be answered here include:

- How does the government work?
 - democratic-participatory vs. authoritarian
 - largely centralized vs. decentralized decision-making
 - strong national government vs. strong provincial/regional governments
- Where is policy initiated?
 - executive staff (e.g., chief of staff office)
 - cabinet meetings
 - congress
 - individual ministries
- What are the main political bodies in the government that influence policy-making for the industry (or at a national level)?
- What responsibilities and powers does each body have?
- How are laws proposed and approved—particularly labor and education laws?
- Who has the upper hand (department/ministry, congress, the president's brother, etc.?) in deciding the education and training policy and program agenda?
- What is the general ideology with respect to intervention, regulation, etc., ie: statist, liberal or paternalistic, in the sectors being evaluated?
- Does the government also have ownership stakes in business?
- Which key institutions (Ministries of Education, Labor, Tourism) formulate policy?

Social

In terms of stakeholders and institutions, this is the larger and certainly most important sphere. In terms of influence, the large numbers and diversity of interest groups, creates enormous collective action problems. For a specific industry, the main actors in this sphere are workers and their associations (unions, confederations), training and educational institutions and other non-profit or non-governmental institutions with stakes in the

³ For example:

- Putnam, Robert et. al, Making Democracy Work : Civic Traditions in Modern Italy, Princeton University Press, 1994;
- Huntington, Samuel, The Third Wave : Democratization in the Late Twentieth Century, University of Oklahoma Press, 1993; and
- Migdal, Joel, Strong Societies and Weak States : State-Society Relations and State Capabilities in the Third World, Princeton University Press, 1988.

evolution of the industry, such as NGOs, aid agencies, marketing bodies or training providers. The important questions to ask at this level are:

- What types of institutions are in place in the sectors under study?
 - NGOs
 - unions
 - associations
 - community groups
 - training providers
 - coordinating bodies
 - research centers or marketing bodies
- What aspects of the industry do they focus on?
 - training/capacity-building
 - new product development
 - marketing
 - funding/financing/resource-generation
- How do these institutions interact on specific issues or policies?
- Are there any gaps in terms of necessary institutions, such as training providers?
- Who and where are the leaders, power players of the industry?
- What are the objectives and powers of unions?
- What type of leadership is there? That is, are there any respected individuals or institutions in the industry around which decision-making and planning converge? Are there any individuals or institutions capable of building consensus around policies and achieving successful implementation?
- Who are the influential individual players or groups?
 - players/groups with access to resources
 - players/groups who can influence policy and implementation by virtue of enjoying widespread respect

3.4 Looking for and Identifying Linkages

Describing the individual spheres of influences involves answering specific questions of the type laid out in the previous section, in order to provide a snapshot of the current state and trends. Identifying linkages is much less technical, ‘more an art, than a science’. Especially in the case of informal linkages it becomes a rather subtle and subjective process, since it involves making personal assessments on personal relationships, indirect communication, or events that are neither obvious nor necessarily specified anywhere. The effort, however, is rewarded by the ability to establish connections among the spheres above, draw inferences on how they build on—or detract from—each other, and evaluate the dynamism of the competitive system. Linkage analysis is also useful for other purposes, including data gathering, awareness raising, or recommendations for possible joint program and task forces.

Formal Linkages

As discussed before, these represent formal relationships between people, groups or institutions. They are created by laws, formal agreements, mandates, or regulations. In some cases, even though a formal link exists, it may not be significant—as in the case of

labor laws that are never enforced or educational requirements for certain jobs that may be obviated due to an acute worker shortage. Some places to look for formal linkages are:

- Laws and Acts: such as SDA, or EEA (Equality in Employment Act)
- Policy Papers or Manuals
- Collective bargaining agreements
- Institutions, committees or task forces.
- Surveys

Searching for and identifying informal linkages requires some level of experience, personal judgement, ‘street-smarts’, persistence, serendipity, and luck. It often involves making inferences from written documents or other people’s impressions, asking direct questions (Do you know this person? How do you get things done?), identifying patterns of activity, etc. Sifting through relevant and irrelevant informal linkages becomes easier as one spends more time in an industry or specific social environment. Some ways of beginning the identification process include:

- Interviews
- Focus and discussion groups
- Policy papers
- Retreats
- Surveys

The ultimate result of identifying linkages would be a linkage map that presents in a diagrammatic form the results of the effort. At the end of the following section we present an initial linkage map of the South African Tourism industry that begins to address the issues above.⁴

3.5 Implications

An analysis of how the spheres of influence and their linkages contribute to or detract from competitiveness in a national sector is key to the development of an effective workforce development strategy. Training activities, as has been argued, are critical elements of developing and sustaining competitive advantage. Investments in capacity development need to be focused to those areas where there are skill gaps, and coordinated among institutions to maximize effectiveness.

For the case of South Africa, the request from the Department of Labor for PwC to assist in creating a strategic planning process for the Sector Education and Training Authorities, feeds the directly into the central purpose of the USAID project: the development of a workforce development methodology that addresses the training needs of the country.

In the section that follows we begin to outline the key issues of the South African tourism sector. We then enrich the description of tourism trends using some elements framework laid out in this section. The idea is to understand how stakeholder linkages, existing

⁴ The linkage map will evolve in the coming months. We have also asked the South African consultant to help us prepare a historical evolution of linkages in this industry.

policies, and key players have interacted to generate unique opportunities for tourism growth in South Africa, as well as serious threats to that growth. Ultimately, this analysis, very rough at this point, will continue to be refined, through the survey results, the contact groups, the strategic retreats and remaining activities in earlier sections.

4. THE TOURISM INDUSTRY⁵

4.1 Defining the Tourism Industry

The most widely accepted definition of tourism is “to travel outside one’s own regular travel patterns and habits”. This is a very broad definition and encompasses all day-trip travel, as well as all travel to spend one or more nights away from home, for business, leisure, family matters, etc. It also includes domestic as well as international travel.

Tourism constitutes the activities and spending of tourists in preparing for their travel and while at their destination. As such the main components of tourism spending are:

- Travel and tourism intermediaries – service providers such as travel agents, tour operators and booking services
- Accommodation
- Food and beverage at the destination mainly restaurants and fast food and some retail food
- Transport to and at the destination
- Attractions and entertainment at the destination
- Retail spending for the trip and at the destination.

4.1.1 Major Subsectors within the Industry

Encompassing as it does spending in many areas, there are many subsectors to the tourism industry. Typically these breakdown into the following categories:

- Passenger transport
- Travel services
- Accommodation providers
- Entertainment and attractions
- Promotion and marketing bodies
- Restaurants/Food-service
- Retail

There is also much overlap as some of the sector listed above overlap with other industries e.g. retail, passenger transport.

Tourism is often broken down further within sectors, for example accommodation comprises the segments of hotels, guest houses, Bed and Breakfasts, timeshare, self-catering, caravan and camping, game lodges and other..

⁵ The analysis that follows can be considered “work-in-progress” and will be enriched by addressing more elements of the competitiveness framework and incorporating other sources of data. This analysis, especially with respect to stakeholder linkages, will also benefit from on-going work of the South African consultants and the activities conducted by the strategic specialist during the second field trip.

It is envisaged that the South African Tourism SETA will cover at least Hospitality (hotels and restaurants), Travel services (travel agents and tour operators), and various. It is still not clear exactly what the definition of tourism will be for the SETA and whether or not, for example, airline service staff, car hire, etc. will be covered by the tourism SETA.

4.2 Tourism in the Context of a World Market

Tourism is the world's largest industry, and one that continues to expand at a faster rate than the global economy. The *World Travel & Tourism Council* ("WTTC") estimates that tourism is now a \$4.4 trillion industry and that this figure will grow to \$10 trillion by the year 2010. The *World Tourism Organisation* ("WTO") forecasts that international tourist arrivals will increase to nearly 700 million by the year 2000 and will reach 1.6 billion by 2020, representing growth between 1995 and 2020 of 4.3% *per annum*.

More than 600 million people travelled abroad in 1997. The United States, Japan and Germany generated the most tourists. France, the USA and Spain received the highest numbers of them. Europe continues to record well over half of all international tourist arrivals, although its relative share is predicted to give way somewhat over the long term, as tourism to other regions of the world - especially the East Asia/Pacific region - increases.

INTERNATIONAL TOURISM BY WORLD REGION

	1997		Change v 1996	
	Arrivals Millions	Receipts US\$bn	arrivals	receipts
Europe	361	218	3,4%	6,2%
Americas	120	121	2,7%	6,8%
Asia & Pacific	90	83	1,1%	2,2%
Africa	23	9	8,1%	4,8%
Middle East	15	9	4,8%	10,9%
South Asia	5	4	4,8%	5,9%
	614	444	3,1%	2,2%

WORLD TRAVEL & TOURISM AGGREGATES

		1998	Projection 2010	Annual growth
Jobs	Millions	231	328	3,0%
Employment		1 in 10	1 in 9	
GDP	US\$bn	3 564	8 008	4,0%
Ratio of total GDP		11,6%	12,5%	
Capital expenditure	US\$bn	779	1 769	4,5%
Taxes	US\$bn	802	1 800	7,0%
Ratio of all taxes		10,6%	11,4%	
Exports	US\$bn	917	2 277	5,4%
Ratio of all exports		12,7%	12,3%	

Source: World Travel & Tourism Council.

The WTO's projects that long-distance travel will increase from around a fifth to nearly a quarter of all international tourist movements by the year 2020. Africa's share of total tourist arrivals is projected to increase from 3.5% to 4.7% over this period.

Tourism, broadly defined, is one of the most potent generators of jobs. In 1998 the sector accounted for an estimated 231 million jobs; equivalent to 9.4% or 1-in-10 of all jobs. This ratio is expected to rise its ratio of 1-in-9 of all jobs by the year 2000.

4.3 Size of the Sector and Growth in South Africa

4.3.1 Tourism Growth in South Africa

It is widely accepted that South Africa has significant potential to increase its foreign leisure tourism and other key foreign tourism markets e.g. conference and convention, sporting events etc. Foreign business tourism and all segments of the domestic tourism markets will largely grow at the same rate as local economic growth. Some particular drivers will impel domestic tourism to grow at a rate marginally higher than local economic growth. These include the emerging black tourism market and the high growth in conferencing.

The WTTC base forecast of tourism growth which is summarized in the table below, is based on growth predictions of a small group of experts in South Africa as well as the WEFA economic model and the WTTC expertise. In these projections foreign tourism is predicted to grow at $\pm 12\%$ for the next two to three years, thereafter declining slowly to around the worldwide average of 4% to 5% per annum by the year 2005.

By 2005 South Africa is expecting of the order of 3,1 million international air arrival tourists, and possibly some 20 million domestic tourists taking 38 million trips (the domestic figures should be treated with caution). Tourism should provide 464300 direct jobs, 122400 more than currently (or approximately 20 000 new jobs yearly), and almost one million direct and related jobs in total, in 2005. Tourism total contribution to GDP should have risen to 9.4%, and foreign tourism will be contributing R 48 billion of spending and domestic tourism R63.6 billion in spending.

This scenario is a base/realistic scenario. If tourism is able to really take-off, it is possible that the above scenario could be exceeded. On the other hand, if some of the constraints to tourism growth are not addressed, and strong negative external factors come into play, it is possible that the above scenario may not be realized.

4.3.2 Contribution to the Economy

The WTTC has recently completed an exercise to assess tourism contribution to GDP and employment in South Africa, using its internationally accepted methodology. The results of this preliminary exercise are summarised in the table below. According to their estimates:

- in 1997 travel and tourism was worth nearly R 60.5 billion (Rand), and is set to grow at the rate of 12.2% pa to the year 2010;

- domestic tourism remains twice the size of foreign tourism, although the latter is projected to grow to 44% of the total by 2010;
- tourism already contributes between 7% and 8% of South Africa's GDP, and this will grow to over 10% by 2010.

SIZE OF SOUTH AFRICA'S TOURISM INDUSTRY

		Actual		Projected	
		1997	1998	2000	2010
Consumption:					
Domestic leisure tourism	R billion	20.8	23.2	28.8	79.3
Domestic business tourism (corporate & government)	R billion	8.4	9.0	11.1	30.0
Foreign tourism	R billion	14.6	18.4	25.9	87.1
Total consumption	R billion	43.8	50.6	65.8	196.4
Capital expenditure					
Other	R billion	11.1	12.8	16.7	47.8
Total expenditure	R billion	5.6	6.4	7.9	26.0
Annual Growth		12.4%	15.4%	13.9%	11.6%
GDP contribution:					
Direct	R billion	20.2	23.4	30.9	93.7
Indirect	R billion	25.7	29.8	39.1	117.2
Total	R billion	45.9	53.2	70.0	210.9
% of total GDP		7.7%	8.2%	8.8%	10.3%
Employment:					
People employed	'000	673	738	820	1 254
Ratio of all employment		6.5%	7.0%	7.5%	9.3%

Source: World Travel & Tourism Council

Reserve Bank figures indicate that foreign tourism to South Africa resulted in R12 billion of foreign exchange inflows to the country. This figure is estimated to have grown to R20 billion in 1997.

Currently, some 738,000 people are employed in the travel and tourism sector - about 1-in-15 jobs (compared with a worldwide average of 1-in 10), and this will grow to 1-in-11 jobs by 2010. Of these 248,000 are direct employees in the industry and the balance are indirect employees.⁶

4.4 Tourism Demand

4.4.1 Foreign Tourism

Foreign tourism arrivals increased in 1997 to 5.4 million. These figures include an unknown number of cross-border job seekers and shoppers from neighboring countries. We

⁶ This number is somewhat less than the figures from the BMI Training Needs and Resources in South Africa study. Differences arise due to slightly different definitions of numbers of employees directly employed in tourism in certain sectors, such as transport, and so on.

believe it is more meaningful to consider aggregates for international air arrivals only. When that is done, foreign-tourist arrivals for 1997 were 1.6 million, compared with 1.4 million in 1996; an increase of 16.4%. The compound rate of growth over the last four years has been an impressive 20.5% pa. Overseas tourists' arrivals increased once again in 1997. However, figures recently released for the first six months of 1998 indicate little or no growth in overseas arrivals, which has surprised most industry analysts.

A worrying factor is the decline of the traditional markets, namely Germany and the UK, the two most significant generators of tourists for South Africa.⁷ Reasons for this include:

- aggressive competition from new destinations such as China, Vietnam, and from "old" competitors that have targeted South Africa's markets e.g. Australia;
- relatively high costs of a trip to South Africa;
- waning of the 'flavour of the month' or new status which South Africa held in many markets.

It has become increasingly apparent the need to diversify the markets from which tourists arrive in South Africa. Another area for "diversification" is in the regions which tourists visit, which at presently are highly concentrated in the main provinces of Gauteng (Johannesburg, Pretoria) and the Western Cape (Cape Town). The table below shows the trends in provinces visited by foreign tourists over the last few years.

Provinces Visited by Foreign Tourists

Province Visited	Jan 96	Aug 96	Jan 97	Aug 97
Gauteng	65%	68%	59%	63%
Western Cape	55%	48%	56%	50%
KwaZulu-Natal	27%	30%	25%	33%
Mpumalanga	19%	22%	17%	25%
Eastern Cape	17%	15%	15%	16%
Northern Province	4%	5%	7%	7%
North West	7%	8%	8%	8%
Free State	5%	5%	5%	6%
Northern Cape	4%	5%	4%	6%

Source: "Satour: The South African International Tourism Market Survey" Summer & Winter 1996-97

4.4.2 Domestic Tourism

The WTTC's estimates confirm the fact that, in value terms, domestic tourism is a very large share of South Africa's total tourism. It presently accounts for over 60% of the total, although this ratio is predicted to decrease gradually, as a consequence of faster-growing foreign tourism, to about half of the total, during the earlier years of the next millennium.

⁷ The UK remains, by far, the most important generator of tourists to South Africa, contributing almost a quarter of the total number of arrivals from overseas. The UK, USA and Germany together account for almost half of all overseas tourists.

The latest survey by *Satour* on the South African domestic tourism market (1996) indicates that 63% of South Africa's population take at least one holiday trip a year. This yields some 16 million domestic tourists in 1996, and with an average incidence of travel of 1,9 trips per person, a total of 30,4 million trips. Most domestic tourists went on holiday only once during 1996 (71%), whilst 16% went away twice and 8% went away three or more times. The table below shows that the most popular domestic tourist destination was KwaZulu-Natal, followed by Gauteng, Western Cape and Eastern Cape in 1996.

Domestic Holiday Trips by Province of Destination 1994 and 1996

Province Visited	1994	Total	1996	Total
Kwazulu Natal	25%	4,439,666	30%	9,120,000
Gauteng	16%	2,866,556	15%	4,560,000
Western Cape	12%	2,097,480	12%	3,648,000
North West	10%	1,817,816	9%	2,736,000
Eastern Cape	9%	1,643,026	14%	4,256,000
Northern Province	9%	1,573,110	5%	1,520,000
Mpumalanga	8%	1,398,320	7%	2,128,000
Free State	7%	1,293,446	6%	1,824,000
Northern Cape	2%	349,580	2%	608,000
	100%	17,479,000	100%	30,400,000

The next table shows a breakdown of the type of accommodation used by domestic tourists in 1994 and 1996. The number of domestic holiday-makers staying in hotels has decreased significantly between 1994 and 1996 and alternative tourist accommodation. Larger proportions of all races (and the vast majority of Blacks) stay with friends and relatives.

Breakdown of the Usage of Accommodation by Domestic Tourists, 1994 and 1996

Accommodation	1994	1996
Friends/Relatives	59,0%	72,0%
Tent/Caravan	6,5%	5,0%
B&B	2,0%	0,4%
Guest House	3,0%	2,0%
Family Hotel	5,0%	2,0%
Luxury Hotel	6,0%	3,0%
Holiday Flats	3,0%	5,0%
Chalets	9,0%	6,0%
Game Lodge	2,0%	0,4%
Farm	1,0%	1,0%
Other	3,5%	3,2%
	100%	100%

Source: *Satour: "The South African Domestic Tourism Market Survey", 1994 and 1996.*

4.4.3 Domestic Business Market

As with the holiday trips, the incidence of business travel was slightly higher in 1996 (5,1% of respondents) than in 1994 (4,8% of respondents). Business tourists take on average 3,1 trips in a year, which yields around 4 million domestic business trips in 1996. The average length of stay for a business trip is 4,5 days, which is unchanged from the

1994 survey. Major destinations are Gauteng (30%), and the North West (13%). 36% of business tourists travel for general business reasons, 30% travel for sales purposes, 25% to attend conferences and 5% for training purposes. The table below shows a breakdown of the type of accommodation used by domestic business travelers. In 1996, 27% of all domestic business tourists stayed with friends and relatives and 20% stayed in guesthouses. Three and four star hotels were also popular.

Breakdown of the Usage of Accommodation by Domestic Business Tourists - 1996

Accommodation	% of Trips
Friends/Relatives	27%
Guest House	20%
3-Star Hotel	15%
4-Star Hotel	12%
5-Star Hotel	8%
Country/Game Lodge	4%
B&B	3%
1 & 2-Star Hotel	1%
	100%

Source: *Satour*, "The South African Domestic Tourism Market", 1996.

4.5 Constraints to Tourism Growth

While the sections above paint a picture of a relatively robust and growing sector, there are several factors that threaten the viability and continued expansion of tourism as a job creator for the country:

- Poor standards of service – especially when the value for money equation is taken into account;
- Infrastructure development constraints – poor returns on tourism projects;
- Poor protection of the environment;
- Poor integration of local communities into tourism;
- Tourism not previously seen as a national (provincial or local) priority sector;
- Lack of awareness of tourism as a leisure activity;
- Lack of inclusive, effective national (provincial and local) structures within tourism;
- Becoming known as an expensive destination;
- Poor national marketing and internal marketing of destinations;
- Insufficient trained and skilled staff to meet demand;
- Unrest amongst the vast sectors of the population; and
- Crime and violence and perceptions thereof.

In addition South Africans are facing increasing, aggressive competition from other tourism destinations competing for the international markets. Moreover, the country has lost, or is rapidly losing the “flavor of the month” status which arose from the exciting and peaceful transition to a democracy in 1994 and became a new destination in many markets. Finally things such as a Gulf War, Islamic vs. USA tensions and terrorism are exogenous factors

which are hard to control and mitigate against and will affect foreign tourism flows to South Africa.

In the face of these constraints it is useful to examine actions taken by the industry and government to address competitiveness, and to evaluate the industry, using the analytic tools described in section 3.

4.6 Growth Strategies Articulated by Government and Industry

4.6.1 Tourism in Gear

In 1996, when the *Tourism White Paper* was released the culmination of more than twelve months of consultation and research with many stakeholders in the industry throughout South Africa. The *White Paper* has since been developed further into "Tourism in GEAR" a strategy document released in February 1998 ("GEAR" being an acronym government's macro-economic growth, employment and redistribution framework).

The *White Paper* and *Tourism in GEAR* set tourism growth targets in terms of arrivals, receipts, jobs, and ownership of tourism ventures by the previously disadvantaged communities. Much of the government's emphasis is on economic empowerment of the previously disadvantaged through tourism development, including allowing the poorest rural communities to become role-players in tourism projects.

The following are the major focuses of the Tourism Development Strategy:

- National and provincial institutional structures, their roles and funding.
- Marketing and promotion of destinations and of the country.
- Facilitating and stimulating investment in the industry.
- Population-wide tourism awareness campaigns.
- Provision of basic infrastructure required to facilitate tourism development.
- Improving safety and security, and perceptions thereof.
- Ensuring appropriate standards of tourism facilities and services.
- Improving the quality and quantity of skilled manpower for the industry.
- Introducing tourism as a school subject.
- Establishing financial and technical assistance for SMMEs and community tourism
- Providing appropriate incentives to prevent tourism market failure.
- Develop and promote tourism for the previously disadvantaged sectors of society.
- Promote the development of environmentally- and culturally sustainable tourism.
- Inform national government and provincial government tourism policies

4.6.2 Tourism Forum and Business Trust Marketing, Training and SMME Development Initiative

Many feel government has largely paid lip service to the industry, and in reality doing far too little to facilitate tourism's development and to realize its full potential in terms of job-creation, foreign-currency earnings and economic growth. The paltry budget allocations to

Satour, the national tourism-promotion body has further disillusioned skeptics in the private sector. However, a recent event, the initiative of the *National Business Initiative* ("NBI"), the *South Africa Foundation* and the *National Black Business Caucus* to set up a National Business Trust. The Trust is persuading general industry to donate 0.15% of market capitalization or 2% of after-tax earnings, into a development fund. They plan to invest considerable funds into marketing, education, training and SMMEs. The trust proposes that, for three years, R50 million of the funds raised be allocated to tourism marketing, R10 to R20 million to tourism training, and an undetermined amount into tourism SMME development.

This initiative has effectively acted as a catalyst for government and the tourism private sector to mobilize. It has resulted in government and the private sector signing an accord to work in partnership, which will include the setting up of The Tourism Forum (see the linkage map), a reconstituted *Satour* Marketing committee (on which the private sector will nominate 4 of the eight representatives) and the private sector nominating, and possibly subsidizing the position of Marketing Services Director at *Satour*. In addition, the tourism private sector intends to raise a further R50 million for marketing through a voluntary levy system and government, via *Satour*, will provide another R50 million.

The tourism industry, through the *TBC*, plans to raise the voluntary levy on all its members and other industry players, of 1% of turnover, by way of a "Tourism Marketing Levy"; a concept which has already been agreed to in principle by most of the major hotel groups, car-hire companies and other key industry players. The R150 million will be disbursed through *Satour*, mainly on generic, above-the-line marketing.

The *NBI-SAF-NBBC initiative* together with the new Government Private Sector partnership is an unprecedented opportunity for South African tourism, which could provide both the resources and expertise to market the country as a destination on a par with best international practice. It has possibly come only just in time for South African foreign tourism to maintain and grow its position in world tourism, given the poor foreign tourism statistics of 1998.

4.6.3 A new SATOUR

In addition to the above private-public sector partnerships, *Satour* itself has been undergoing re-organization and transformation since early 1997, when a new board was appointed and an acting chief executive seconded from the *TBC*. Despite radical changes, and many workshops and discussion documents, few in the industry believe there has been a significant improvement in the overall effectiveness of *Satour*; its inadequate budget being cited by many as the major reason for this. *Satour* has, however recently re-branded and is undertaking a major commitment to develop an information technology architecture to support its functions.

The new TTF and the transformed *Satour* working together with the private sector herald a new era in government and business cooperation in developing tourism and the fact that the

TTF covers all aspects of tourism development will further lead to a holistic approach to this industry.⁸

4.6.4 The Presidential Job Summit

In addition to the important events outlined in the paragraphs above, in October of this year, Government, labor and the private sector held a national Job Summit, to look at ways of addressing SA's most critical problem – job creation. One of the outcomes of the job summit was a thrust to develop tourism. The main elements of the job summit declaration with respect to tourism are:

- A partnership to market South Africa abroad
- An enterprise development program to stimulate SME's in Tourism
- More tourism learnerships
- The SDIs (see below)⁹

A Cabinet Cluster Committee is to be set-up to ensure the effective implementation of the job summit recommendations

4.7 Implications and Initial Linkage Map

These actions represent a major step forward and potentially an effective partnership between the major industry and government stakeholders to put some real resources behind its strategy pronouncements on training and human capital development in general. In

⁸ Note that we have said nothing about provincial initiatives. Under the National Constitution, tourism is a provincial-government competency. Since 1994, most of the provinces have therefore seen extensive changes and realignment of institutional structures affecting tourism. But there remains some overlap and confusion about the respective roles of central government and of the provinces.

Each province has, in various forms, strategies and policies with regard to tourism and tourism growth, however, to enable these to be truly effective, the provinces will need to address the following:

- Provincial political power games
- The newness of the responsibility and the learning curve required by those in authority
- Lack of budget
- Lack of co-ordination
- Lack of national leadership

⁹ *Spatial Development Initiatives* (or "SDIs") are government programs aimed at unlocking the perceived inherent and underutilized economic development potential of specific areas or "spatial locations" in South Africa. Eight such zones have been defined. The stated objective of the *SDI* programs is the creation of employment by attracting and facilitating investment in focussed sectors. Government's strategy is to concentrate its limited resources on the provision of infrastructure in areas with the highest growth potential, and to enter into public-private-sector partnerships in an effort to leverage investment. The initial focus is one or more "anchor" projects in each *SDI* which, it is envisaged, will then act as a catalyst for ancillary projects and investment.

Several of the *SDIs* have tourism as a major thrust. Some *SDIs* include neighboring countries. The *Lubombo SDI*, for instance, is a tri-nation initiative that involves eastern Swaziland, southern Mozambique and northern KwaZulu-Natal. In this case, the governments' principal interventions include actions such as the construction of a major "tourist" road from St Lucia to Maputo which will make some of southeast Africa's most spectacular coastline, lakes, estuaries and wildlife areas accessible, and the introduction of a passenger train service - the *Trans-Lubombo* - connecting the three countries.

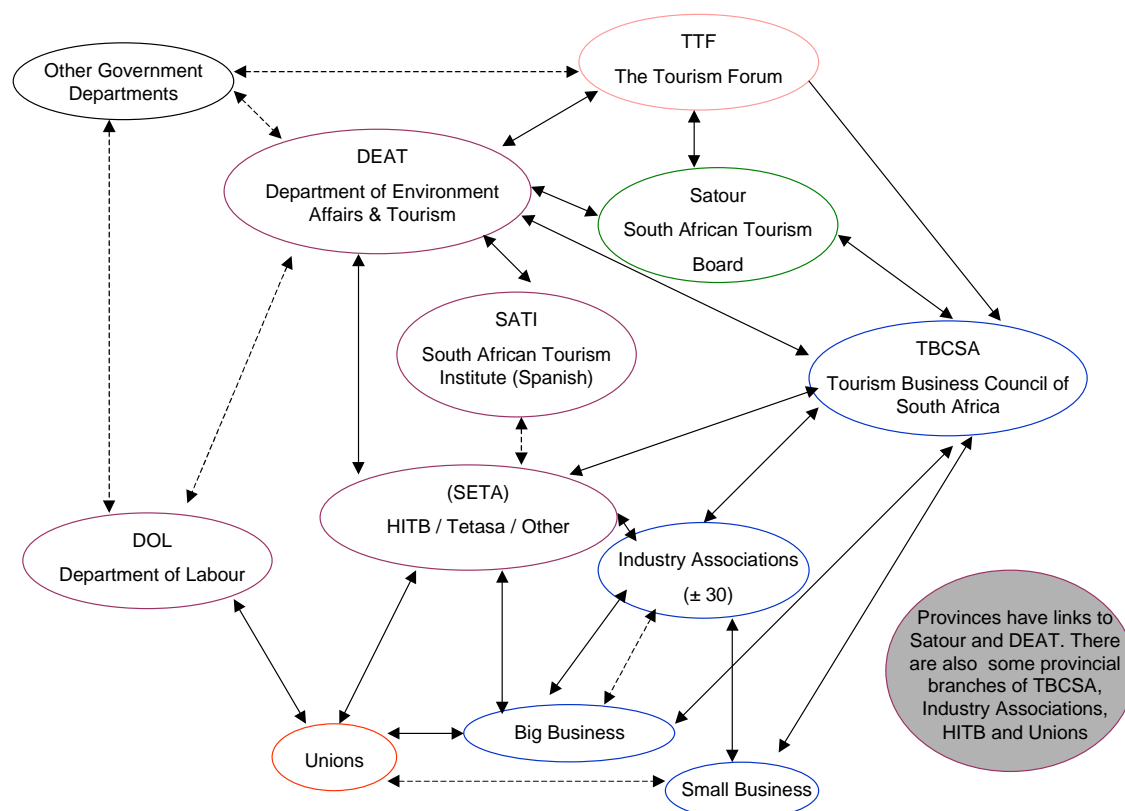
tourism a large element of success has been based on the development of strong linkages between various key stakeholders in the industry. We have been using the elements of the analytic framework developed in Section 3 to help us understand the nature of these linkages and identify possible lessons for other sectors. (See diagram below for an initial draft of this linkage map.)

It has become clear that the tourism industry in South Africa is uniquely fortunate in having very strong leadership at various levels, and friendly relations among some of the key stakeholders. This has enabled the industry to put together the various organizations and activities described above, in addition to an impressive compendium of high-quality documentation—some of it listed in Appendix C.

In the course of interviews and discussions during our visit to South Africa we were able to identify a few “focal points” around which—it seems—most of the tourism activity and decision-making evolves.¹⁰ These individuals, and the institutions they lead, are highly respected, both in terms of their own leadership and the work they perform.

- **Mr. Tony Ansara, Hospitality Industry Training Board:** The HITB has been consistently regarded as one of the most successful Training Boards. Mr. Ansara and his staff have led their counterparts in devising successful programs, involving the private sector in the planning process, and establishing the specific industry qualifications framework. Various groups refer to Mr. Ansara/HITB as the driver in key process, and Mr. Ansara himself maintains close communication to the Departments of Labor and Tourism, SATOUR, and the Tourism Business Council.
- **Mr. Michael Fabricious, Tourism Directorate, Department of Environmental Affairs and Tourism:** as a government department concerned with a specific industry, the DEAT already has enormous coordination and resource power. This has been increased by a favorable perception among business leaders that “Fabricious is somebody we can work with” and a willingness of the DEAT to involve itself in coordinating activities. It seems most initiatives in the industry include the DEAT’s input, not necessarily due to any bureaucratic requirement.

¹⁰ These individuals/institutions were repeatedly referred to during interviews.



In the case of South African tourism development, Messrs. Ansara and Fabricious have been instrumental in leading the debate and—ultimately—getting things done. They have been an important instrument in linking the disparate groups, partly because of their personal credibility and partly due to their command of powerful institutional resources. From our initial analysis, this does not appear to be the case in most other industries.

Nonetheless, there are still some important gaps in leadership and disconnects between critical stakeholders in the industry (and in the country as a whole). Training providers have received relatively little direction and no one group or individual has emerged among them to lead in the development of new or expanded training programs for industry workers. Notably, the universities (with the notable exception of the Tourism Dept. at the University of Pretoria¹¹) have completely ignored the industry and abdicated the opportunity to provide advanced training for higher-level, future managers. Similarly, the unions have chosen largely to remain absent from the debate—focusing on collective bargaining and membership issues—and, thus risk not being able to influence the results.

In general, however, the tourism industry has evolved over the years to develop many of the necessary linkages. Our on-going work will continue to explore the effectiveness of current linkages and the still existing disconnects.

¹¹ Probably due to the leadership of Prof. Ernie Heath, a former Satour board member.

APPENDIX A: Schedule During the First Trip**Interviews and Meetings****Week One: Monday, November 8 – Friday, November 12**

Date & Time	Interview	Interviewers	Contact Info
11/8/98 10:00 a.m.	USAID Briefing	TSM, RC, TM	012-323-8869 Dipuo Mde
11/9/98 10:00 a.m.	Dr. J.A. Brink Committee of University Principals	TSM, RC	012-429-3135 (T) 041-429-3071 (F)
11/10/98 12:30 a.m.	Mr. Tony Ansara Hospitality Industry Training Board	TSM, RC, TM	011-803-6010 (T) 011-803-6702 (F)
11/10/98 1:15 p.m.	S.A. DOL Briefing Mr. Lindsay Falkov Director of Human Resources Development, SA DOL	TSM, RC, TM	012-309-4469 (T) 012-309-6068 (F)
11/10/98 5:00 p.m.	Joe M. Thomas IGI International @ NGO's in South Africa	TSM, RC, TM	1-305-956-2713 (T) 1-305-956-5660 (F)
11/11/98 1:00 p.m.	S.A. DOL Brainstormng Mr. Lindsay Falkov Director of Human Resources Development, SA DOL	TSM, RC, TM	012-309-4469 (T) 012-309-6068 (F)
11/12/98 9:00 a.m.	Professor Ernie Heath University of Pretoria Centre for AfrikaTourism	TSM, RC	012-420-4000 (T) 012-420-3349 (F)
11/13/98 1:00 p.m.	Ms. Elize van Zyl HSRC RGN (Potential Consultant)	TSM, RC	012-302-2756 (T) 012-302-2994 (F)
11/12/98 2:00 p.m.	Mr. S. Isaacs S.A. Qualifications Authority	TSM, RC	012-346-9153 (T) 012-346-5813 (F)
11/12/98 3:00 p.m.	Mr. Tony Ansara Hospitality Industry Training Board	TM	011-803-6010 (T) 011-803-6702 (F)
11/12/98 3:00 p.m.	Ms. Adrienne Bird Chief Director, Human Resource Development and Career Services S.A. DOL	TM, RC	012-309-4458 (T) 012-320-0795 (F)
11/13/98 9:00 a.m.	Mr. Michael Fabricious Depart. of Environmental Affairs and Tourism	TSM, RC	012-326-2830 (T)
11/13/98 10:00 a.m.	Mr. Colin Walker, President, Tourism Business Council S.A.	TSM, RC	012-654-7525 (T) 012-654-7394 (F)

Week Two: Monday, November 16 – Friday, November 20

Date & Time	Interview	Interviewers	Contact Info
11/16 11:00 a.m.	Ms. Sandra Cronge Bed & Breakfast Association	TM	011-462-7611 (T) 083-290-3185 (Cell)
11/16/98 10:00 a.m.	Ms. Avril Joffe LMA / SQW – Policy Research Consultants (Potential Consultant)	RC	011-487-2627 (T) 011-487-2628 (F) 083-229-6072 (Cell)
11/17/98 9:00 a.m.	Ms. Gillian Saunders Grant Thornton Kessell Feinstein	RC	011-322-4500 (T) 011-322-4545 (F)
11/17/98 1:00 p.m.	Ms. Carol Ann Cairns TETASA	TM	011-403-2923 (T)
11/17/98 8:00 p.m.	USAID Dinner Patrick Fine's House	TSM, RC, TM	011-346-4167 (T)
11/18/98 1:00 p.m.	Mr. Jonathan Harrod, Ms. Yvonne Morgan BMI	RC, TM, KL	011-803-6412 (T) 011-803-4676 (F)
11/19/98 12:30 p.m.	USAID Mission Briefing Pretoria	TSM, KL	012-323-8869 Dipuo Mde
11/19/98 2:00 p.m.	S.A. DOL Briefing Mr. Lindsay Falkov Dir. of Human Resources Development	TSM, KL	012-309-4469 (T) 012-309-6068 (F)
11/20/98 10:00 a.m.	Mr. Ray Taylor, Mr. Steven Billingham Hospitality Training & Assessors	TM	011-787-0199 (T) 011-787-0571 (F)
11/20/98 2:00 p.m.	Ms. Jenny Cornish Reach & Teach	TSM, TM, KL	011-463-6782 (T)

Week Three: Monday, November 23 – Thursday, November 26

Date & Time	Interview	Interviewers	Contact Info
11/23/98 10:00 a.m.	Mr. Allen Alias Dir. of Training, Southern Sun Group	RC, TM	011-780-0146 (T)
11/23/98 3:00 p.m.	Dr. Jane Spowart Tecknikon Witwaterstand Food Service Mgmt. Hotel School	RC, TM	011-406-2035 (T) 011-406-2033 (F)
11/23/98 5:00 p.m.	Josie Rowe Setz Blueprint Consultants	RC, TM	011-883-9482 (T) 011-883-9414 (F)
11/25/98 1:00 p.m.	S.A. DOL Briefing Mr. Lindsay Falkov Dir. of Human Resources Development	RC, TM	012-309-4469 (T) 012-309-6068 (F)
11/26/98 9:30 a.m.	Josie Rowe Setz Blueprint Consultants	TM	011-883-9482 (T) 011-883-9414 (F)
11/30/98 9:30 a.m.	S.A. Consultant Meeting Gillian Saunders, Yvonne Morgan	TM	

APPENDIX B: Actors Described in the Linkage Map

This section defines each of the stakeholders presented on the stakeholder linkage map. Each circle represents an tourism stakeholder at the national level. A solid line represents a formal linkage and a dotted line represents an informal linkage.

The Tourism Forum (“TTF”):

A body to be set up by government and the private sector, comprising 8 representatives from each. It will be a consultative council at which any macro strategic issues relating to tourism will be discussed. It will operate on consensus. Government’s representatives will include representatives from Satour.

SATOUR (South African Tourism Board):

A statutory body whose main role is international marketing of South Africa. It also handles grading, as yet of accommodation only. Its board comprises government (national and provincial) representatives, and representatives from business, labor and civil society. It has a number of sub-committees on which the private sector also serves, e.g. Marketing, Exhibitions etc. Satour currently accredits tourist guides in South Africa.

The Department of Environmental Affairs and Tourism (“DEAT”):

The national government department with responsibility for tourism. There are \pm 7 tourism functionaries within a department of more than 150 in total. It has a number of sub-committees / task groups, including tourism training and education.

The Department of Labor (“DOL”):

The government department concerned with skills development. It has informal links with other government departments including DEAT.

Other Government Departments:

Virtually all government departments have a role to play in tourism. There are no formal links between tourism bodies, or the DEAT, with these many departments. It is however possible that a representative of the Department of Trade and Industry (“DTI”) may sit on the TTF.

Hospitality Industry Training Board (“HITB”)

The HITB has been in existence for 7 years and is a statutory body that collects levies on payroll from the hospitality industry. It accredits training courses in the industry and employers claim back some or all of accredited course costs for their employees from the HITB. The HITB has also been piloting learnerships and implementing a National Qualifications Framework in the industry. The Travel Education and Training Association of South Africa (“TETASA”) was recently merged into the HITB. TETESA is entirely voluntary but attempts to quality control and facilitate travel and tourism training.

It is accepted that HITB with TETASA will become the Tourism, Hospitality and Leisure (“THL”) SETA, and it is expected to be appointed a pilot SETA in 1999. The HITB board has government, labor and private sector representatives.

The South African Training Institute (“SATI”):

A new national body proposed by the DEAT after research and recommendations from a Spanish Government sponsored study. SATI will also, at least initially, be funded through unilateral aid from Spain. It would act in a support capacity to the SETA and provide capacity and resources on “once-off bases” to address needs as identified. It will probably not have a formal link to the SETA.

Labor Unions:

There are a number of unions active in tourism and hospitality, the two strongest being SACCAWU (South African Commercial Catering and Allied Workers Union) and the Food Workers Union. Unions are registered with the DOL, and a number of unions are represented on the HITB board. Most of the large companies in tourism have formal recognition agreements with one or more unions and bargain annually over wages. Most small businesses do not formally recognize unions.

Industry Associations:

There are of the order of 30, primarily sectorial associations, in the tourism industry e.g.. airlines, hotels, car hire, clubs, conference, self-catering, tour operators, etc). Many associations are members of the TBCSA and a number sit on the board of the HITB. In some sectors big business are very supportive and active in their association, but in others e.g.. Hotels, the big groups have formed a separate loose alliance and not joined or left the industry association.

The Tourism Business Council of South Africa (“TBCSA”):

The TBCSA was formed about 3 years ago to provide a forum for the entire tourism private sector to “speak with one voice” to government. Most major players and associations in the industry are members, and its board is structured to enable big business, small business, associations and black business to be represented.

Its membership base is still not as all encompassing as desired, but nevertheless it has succeeded in becoming an entity with which government and Satour communicate with respect to tourism issues and it will nominate private sector representatives to the TTF.

It also has a number of subcommittees such as small business development, marketing etc.

The Provinces:

Tourism in South Africa is a concurrent National and Provincial government competency. The tourism structures in the various provinces vary considerably both on the government and private sector side. The minister for each provincial government department tasked with tourism sits on a DEAT committee of tourism ministries.

APPENDIX C: Bibliography of Major Research Documents

A. General: Skill Development, Economy, Politics

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B. Tourism Industry

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- *Survey of South Africa's International Tourism Market*. South African Tourism Board (SATOUR). Summer 1998.

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C. Metal & Engineering Industry

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